



**HARRY GWALA DISTRICT MUNICIPALITY AND ITS
CONTROLLED ENTITY
CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

General Information

Legal form of entity	District Municipality
Mayoral committee	
Executive Mayor	M Ndobe
Deputy Mayor	NH Duma
Speaker	GP Nzimande
Member of executive committee	SB Bhengu
Member of executive committee	KS Madlala
Member of executive committee	CB Kunene
Councillors	NB Mngadi
	ZS Nyide
	VW Zaza
	VP Majozi
	JS Msiya
	MW Tshibase
	V Mhatu
	ME Mkhize
	M Nondabula
	SD Radebe
	XR Tshazi
	SJ Bhengu
	SS Mavuma
	B Thabethe
	AT Sondzaba
	CM Ngcobo
	BW Dlamini
	PB Kleinbooi
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Mr M Mkatu
Accounting Officer	Mrs AN Dlamini
Registered office	Harry Gwala District Municipality Main office
Business address	40 Main street Ixopo 3276
Postal address	Private Bag X501 Ixopo 3276
Municipality	Harry Gwala District Municipality
Controlled entity	Harry Gwala Economic Development Agency (Pty) Ltd
Bankers	First National Bank
Auditors	Auditor General South Africa
Telephone number	039 - 834 8700
Fax number	039 - 834 2258

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

General Information

Harry Gwala Economic Development Agency (Pty) Ltd Dr IB Mkhize (chairman)
Board of Directors

Mr VIV Made

Mr PZ Duma

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

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The reports and statements set out below comprise the consolidated annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Approval of financial statements

I am responsible for the preparation of these Annual Financial Statements, which are set out in pages 5 to 75 in terms of Section 126(1) of the Municipal Finance Management Act (Act 56 of 2003) which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 33 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act..

Mrs AN Dlamini
Municipal Manager

Friday, September 29, 2017

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Position as at June 30, 2017

Figures in Rand	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Assets					
Current Assets					
Inventories	3	179,844	191,663	179,844	191,663
Receivables from exchange transactions	4	6,929	14,037	-	-
Receivables from non-exchange transactions	5	5,197,374	3,582,738	4,610,451	2,995,815
VAT receivable	6	17,984,854	20,685,364	16,948,938	18,504,086
Trade and other receivable from exchange transactions	7	28,642,624	25,219,196	28,642,624	25,219,196
Cash and cash equivalents	8	43,023,019	19,489,701	24,272,551	5,818,976
		95,034,644	69,182,699	74,654,408	52,729,736
Non-Current Assets					
Property, plant and equipment	9	1,836,788,741	1,696,949,595	1,812,792,709	1,672,336,415
Intangible assets	10	1,109,078	1,121,739	427,783	643,359
Investment in entity	11	-	-	100	100
		1,837,897,819	1,698,071,334	1,813,220,592	1,672,979,874
Total Assets		1,932,932,463	1,767,254,033	1,887,875,000	1,725,709,610
Liabilities					
Current Liabilities					
Borrowings	12	5,792,884	5,462,675	5,792,884	5,462,675
Finance lease obligation	13	6,093,624	2,117,582	6,059,905	2,062,078
Payables from exchange transactions	14	133,292,322	209,653,038	132,124,508	208,713,337
Payables from non exchange transactions	15	235	873,929	235	873,929
Consumer deposits	16	1,441,387	1,345,978	1,441,387	1,345,978
Unspent conditional grants and receipts	17	61,417,333	14,577,453	53,521,925	6,676,908
Provisions	18	567,617	599,421	567,617	599,421
		208,605,402	234,630,076	199,508,461	225,734,326
Non-Current Liabilities					
Borrowings	12	12,353,357	15,683,478	12,353,357	15,683,478
Finance lease obligation	13	13,997,381	1,571,080	13,990,256	1,547,823
Provisions	18	20,947,488	19,938,185	20,947,488	19,938,185
		47,298,226	37,192,743	47,291,101	37,169,486
Total Liabilities		255,903,628	271,822,819	246,799,562	262,903,812
Net Assets		1,677,028,835	1,495,431,214	1,641,075,438	1,462,805,798
Accumulated surplus		1,677,028,835	1,495,431,214	1,641,075,438	1,462,805,798

* See Note 46

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Statement of Financial Performance

		Group		Municipality	
Figures in Rand	Note(s)	2017	2016 Restated*	2017	2016 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	19	79,838,824	42,926,545	79,838,824	42,926,545
Interest received (trading)		16,394,536	8,663,846	16,394,536	8,663,846
Other income	20	2,170,438	2,229,785	2,130,035	2,188,758
Interest received - investment	21	6,067,248	3,364,325	5,281,409	3,070,961
Total revenue from exchange transactions		104,471,046	57,184,501	103,644,804	56,850,110
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	22	564,167,893	547,079,192	564,162,755	532,133,173
Total revenue	23	668,638,939	604,263,693	667,807,559	588,983,283
Expenditure					
Employee related costs	29	(143,392,863)	(131,524,883)	(135,817,505)	(125,030,438)
Remuneration of councillors	33	(5,451,994)	(6,037,608)	(5,451,994)	(6,037,608)
Community participation	25	(3,149,701)	(4,570,360)	(3,149,701)	(4,570,360)
Grants and subsidies paid		-	(1,477,363)	(17,333,333)	(16,096,020)
Depreciation and amortisation	28	(49,073,549)	(41,755,878)	(47,591,970)	(40,583,311)
Impairment loss		(3,876,195)	(83,340)	(3,876,195)	(83,340)
Finance costs	30	(4,319,968)	(2,890,252)	(4,312,671)	(2,883,661)
Directors fees		(321,104)	(502,070)	-	-
Contribution to bad debt provision	27	(75,064,990)	(25,567,149)	(75,064,990)	(25,567,149)
Repairs and maintenance		(24,858,819)	(27,109,135)	(24,733,047)	(26,938,721)
Bulk purchases	24	(8,564,893)	(8,576,718)	(8,564,893)	(8,576,718)
Contracted services	26	(56,375,530)	(88,567,206)	(55,529,753)	(85,882,941)
Operating grant expenses	32	(35,241,910)	(41,594,567)	(35,236,772)	(27,836,733)
General expenses	31	(77,290,368)	(96,273,427)	(72,834,112)	(92,378,003)
Total expenditure		(486,981,884)	(476,529,956)	(489,496,936)	(462,465,003)
Operating surplus		181,657,055	127,733,737	178,310,623	126,518,280
Loss on disposal of assets and liabilities		(59,434)	(1,529,100)	(40,983)	(1,529,100)
Surplus for the year		181,597,621	126,204,637	178,269,640	124,989,180

* See Note 46

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Group		
Balance at July 1, 2015	1,369,226,574	1,369,226,574
Changes in net assets		
Surplus for the year	126,204,637	126,204,637
Total changes	126,204,637	126,204,637
Opening balance as previously reported	1,503,644,553	1,503,644,553
Adjustments		
Prior year adjustments	(8,213,339)	(8,213,339)
Restated* Balance at July 1, 2016 as restated*	1,495,431,214	1,495,431,214
Changes in net assets		
Surplus for the year	181,597,621	181,597,621
Total changes	181,597,621	181,597,621
Balance at June 30, 2017	1,677,028,835	1,677,028,835
Municipality		
Balance at July 1, 2015	1,337,816,615	1,337,816,615
Changes in net assets		
Surplus for the year	124,989,193	124,989,193
Total changes	124,989,193	124,989,193
Opening balance as previously reported	1,471,019,137	1,471,019,137
Adjustments		
Prior year adjustments	(8,213,339)	(8,213,339)
Restated* Balance at July 1, 2016 as restated*	1,462,805,798	1,462,805,798
Changes in net assets		
Surplus for the year	178,269,640	178,269,640
Total changes	178,269,640	178,269,640
Balance at June 30, 2017	1,641,075,438	1,641,075,438

* See Note 46

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Cash Flow Statement

Figures in Rand	Note(s)	Group		Municipality	
		2017	2016 Restated*	2017	2016 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services		18,272,160	13,767,097	18,272,160	13,767,097
Grants		627,467,411	568,478,482	610,134,070	531,530,158
Interest income		6,067,248	3,364,325	5,281,409	3,070,961
Other receipts		1,703,256	305,027	-	-
		653,510,075	585,914,931	633,687,639	548,368,216
Payments					
Employee costs		(139,233,353)	(126,608,742)	(139,233,353)	(126,608,742)
Suppliers		(304,971,015)	(226,195,587)	(291,359,333)	(192,800,073)
Finance costs		(4,319,968)	(2,890,252)	(4,312,671)	(2,883,661)
		(448,524,336)	(355,694,581)	(434,905,357)	(322,292,476)
Net cash flows from operating activities	35	204,985,739	230,220,350	198,782,282	226,075,740
Cash flows from investing activities					
Purchase of property, plant and equipment	9	(177,727,008)	(242,590,080)	(177,139,352)	(242,358,293)
Proceeds from sale of property, plant and equipment	9	2,031,750	-	2,031,750	-
Purchase of other intangible assets	10	(498,141)	(436,074)	-	-
Net cash flows from investing activities		(176,193,399)	(243,026,154)	(175,107,602)	(242,358,293)
Cash flows from financing activities					
Repayment of borrowings		(2,999,912)	(803,065)	(2,999,912)	(803,066)
Finance lease payments		(2,259,110)	(3,015,476)	(2,221,193)	(2,966,717)
Net cash flows from financing activities		(5,259,022)	(3,818,541)	(5,221,105)	(3,769,780)
Net increase/(decrease) in cash and cash equivalents		23,533,318	(16,624,345)	18,453,575	(20,052,333)
Cash and cash equivalents at the beginning of the year		19,489,701	36,114,047	5,818,976	25,871,310
Cash and cash equivalents at the end of the year	8	43,023,019	19,489,702	24,272,551	5,818,977

* See Note 46

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Group - 2017											
Financial Performance											
Service charges	60,553,354	(8,298,846)	52,254,508	-		52,254,508	79,838,824		27,584,316	153 %	132 %
Investment revenue	3,700,000	2,400,000	6,100,000	-		6,100,000	6,067,248		(32,752)	99 %	164 %
Transfers recognised - operational	288,058,795	12,803,455	300,862,250	-		300,862,250	295,510,720		(5,351,530)	98 %	103 %
Other own revenue	9,114,252	8,105,281	17,219,533	-		17,219,533	18,564,974		1,345,441	108 %	204 %
Total revenue (excluding capital transfers and contributions)	361,426,401	15,009,890	376,436,291	-		376,436,291	399,981,766		23,545,475	106 %	111 %
Employee costs	(137,949,634)	(4,625,046)	(142,574,680)	-	-	(142,574,680)	(143,392,863)	(818,183)	(818,183)	101 %	104 %
Remuneration of councillors	(7,906,204)	-	(7,906,204)	-	-	(7,906,204)	(5,451,994)	-	2,454,210	69 %	69 %
Debt impairment	(25,393,852)	-	(25,393,852)			(25,393,852)	(75,064,990)	(49,671,138)	(49,671,138)	296 %	296 %
Depreciation and asset impairment	(32,374,428)	(10,959,264)	(43,333,692)			(43,333,692)	(52,949,744)	(9,616,052)	(9,616,052)	122 %	164 %
Finance charges	(1,900,613)	(68,048)	(1,968,661)	-	-	(1,968,661)	(4,319,968)	(2,351,307)	(2,351,307)	219 %	227 %
Materials and bulk purchases	(10,709,409)	-	(10,709,409)	-	-	(10,709,409)	(8,564,893)	-	2,144,516	80 %	80 %
Transfers and grants	(6,500,000)	6,494,000	(6,000)	-	-	(6,000)	(5,138)	-	862	86 %	- %
Other expenditure	(169,901,772)	(35,974,921)	(205,876,693)	-	-	(205,876,693)	(196,929,641)	-	8,947,052	96 %	116 %
Total expenditure	(392,635,912)	(45,133,279)	(437,769,191)	-	-	(437,769,191)	(486,679,231)	(62,456,680)	(48,910,040)	111 %	124 %
Surplus/(Deficit)	(31,209,511)	(30,123,389)	(61,332,900)	-		(61,332,900)	(86,697,465)		(25,364,565)	141 %	141 %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	333,527,325	(25,937,575)	307,589,750	-		307,589,750	268,657,173		(38,932,577)	87 %	81 %
Contributions recognised - capital and contributed assets	2,245,000	(734,000)	1,511,000	-		1,511,000	-		(1,511,000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	304,562,814	(56,794,964)	247,767,850	-		247,767,850	181,959,708		(65,808,142)	73 %	60 %
Surplus/(Deficit) for the year	304,562,814	(56,794,964)	247,767,850	-		247,767,850	181,959,708		(65,808,142)	73 %	60 %
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	167,886,163	-	167,886,163	-		167,886,163	-		(167,886,163)	- %	- %
Internally generated funds	6,141,000	-	6,141,000	-		6,141,000	-		(6,141,000)	- %	- %
Total sources of capital funds	174,027,163	-	174,027,163	-		174,027,163	-		(174,027,163)	- %	- %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	170,835,711	-	170,835,711	-		170,835,711	204,985,739		34,150,028	120 %	120 %
Net cash from (used) investing	(156,557,122)	-	(156,557,122)	-		(156,557,122)	(176,193,399)		(19,636,277)	113 %	113 %
Net cash from (used) financing	(1,448,884)	-	(1,448,884)	-		(1,448,884)	(5,259,022)		(3,810,138)	363 %	363 %
Net increase/(decrease) in cash and cash equivalents	12,829,705	-	12,829,705	-		12,829,705	23,533,318		10,703,613	183 %	183 %
Cash and cash equivalents at the beginning of the year	19,489,701	-	19,489,701	-		19,489,701	19,489,701		-	100 %	100 %
Cash and cash equivalents at year end	32,319,406	-	32,319,406	-		32,319,406	43,023,019		10,703,613	133 %	133 %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Municipality - 2016											
Financial Performance											
Service charges	60,553,354	(8,298,846)	52,254,508	-		52,254,508	79,838,824		27,584,316	153 %	132 %
Investment revenue	3,500,000	2,000,000	5,500,000	-		5,500,000	5,281,409		(218,591)	96 %	151 %
Transfers recognised - operational	277,631,675	23,230,575	300,862,250	-		300,862,250	295,505,582		(5,356,668)	98 %	106 %
Other own revenue	9,109,252	8,105,281	17,214,533	-		17,214,533	18,524,571		1,310,038	108 %	203 %
Total revenue (excluding capital transfers and contributions)	350,794,281	25,037,010	375,831,291	-		375,831,291	399,150,386		23,319,095	106 %	114 %
Employee costs	(125,313,141)	(8,284,785)	(133,597,926)	-	-	(133,597,926)	(135,817,505)	(2,219,579)	(2,219,579)	102 %	108 %
Remuneration of councillors	(7,906,204)	-	(7,906,204)	-	-	(7,906,204)	(5,451,994)	-	2,454,210	69 %	69 %
Debt impairment	(25,393,852)	-	(25,393,852)			(25,393,852)	(75,064,990)	(49,671,138)	(49,671,138)	296 %	296 %
Depreciation and asset impairment	(31,874,428)	(10,659,264)	(42,533,692)			(42,533,692)	(51,468,165)	(8,934,473)	(8,934,473)	121 %	161 %
Finance charges	(1,925,613)	(84,048)	(2,009,661)	-	-	(2,009,661)	(4,312,671)	(2,303,010)	(2,303,010)	215 %	224 %
Materials and bulk purchases	(10,709,409)	-	(10,709,409)	-	-	(10,709,409)	(8,564,893)	-	2,144,516	80 %	80 %
Transfers and grants	(20,000,000)	2,666,667	(17,333,333)	-	-	(17,333,333)	(17,333,333)	-	-	100 %	87 %
Other expenditure	(159,281,145)	(38,798,969)	(198,080,114)	-	-	(198,080,114)	(191,483,385)	-	6,596,729	97 %	120 %
Total expenditure	(382,403,792)	(55,160,399)	(437,564,191)	-	-	(437,564,191)	(489,496,936)	(63,128,200)	(51,932,745)	112 %	128 %
Surplus/(Deficit)	(31,609,511)	(30,123,389)	(61,732,900)	-		(61,732,900)	(90,346,550)		(28,613,650)	146 %	286 %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	335,772,325	(26,671,575)	309,100,750	-		309,100,750	268,657,173		(40,443,577)	87 %	80 %
Surplus (Deficit) after capital transfers and contributions	304,162,814	(56,794,964)	247,367,850	-		247,367,850	178,310,623		(69,057,227)	72 %	59 %
Surplus/(Deficit) for the year	304,162,814	(56,794,964)	247,367,850	-		247,367,850	178,310,623		(69,057,227)	72 %	59 %
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	167,886,163	-	167,886,163	-		167,886,163	-		(167,886,163)	- %	- %
Internally generated funds	6,141,000	-	6,141,000	-		6,141,000	-		(6,141,000)	- %	- %
Total sources of capital funds	174,027,163	-	174,027,163	-		174,027,163	-		(174,027,163)	- %	- %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	164,632,252	-	164,632,252	-		164,632,252	198,782,282		34,150,030	121 %	121 %
Net cash from (used) investing	(155,471,323)	-	(155,471,323)	-		(155,471,323)	(175,107,602)		(19,636,279)	113 %	113 %
Net cash from (used) financing	(1,410,967)	-	(1,410,967)	-		(1,410,967)	(5,221,105)		(3,810,138)	370 %	370 %
Net increase/(decrease) in cash and cash equivalents	7,749,962	-	7,749,962	-		7,749,962	18,453,575		10,703,613	238 %	238 %
Cash and cash equivalents at the beginning of the year	5,818,976	-	5,818,976	-		5,818,976	5,818,976		-	100 %	100 %
Cash and cash equivalents at year end	13,568,938	-	13,568,938	-		13,568,938	24,272,551		(10,703,613)	179 %	179 %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
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Narration area

Variance Explanations

1. Service charges -Increased actuals due to increased demand and improved revenue management initiatives.
2. Interest investment - Higher interest earned on positive bank balances
3. Other revenue - Actual performance higher due to lower projected debtors book
4. Government grants and subsidies - Variance within limits
5. Employee related costs - Staff increases.
6. Remuneration of councillors - Over budgeting for Councillors allowance due to late determination receipt.
7. Depreciation and asset impairments - Additional assets procured through a new finance lease entered into with Afrirent.
8. Finance costs - Excess due to a new lease agreement entered into with Afrirent which was classified as a finance lease.
9. Material and bulk purchases - Lower than projected bulk water consumption due to drought.
10. Transfers and grants - Budget equal actual.
11. Other expenditures - Reduction due to reclassification of actual expenditure from general expenditure vote to contracted services.

Gwala Harry Agency

1. Investment revenue - funds were invested in Call Accounts instead of leaving it in Cheque Account.
2. DHET grant revenue - only one expenditure incurred during the year.
3. HGDM grant tender documents revenue - the income from the parent municipality was cut off the adjustment budget.
4. Employees related cost - the entity had vacant positions that were not filled during the year under review.
5. Directors' fees - the board members held less special meetings than anticipated.
6. Depreciation and amortisation - financial system was procured very late in the year.
7. Finance charges - certain contracts were closed during the year.
8. Transfers and grants - only one expenditure incurred during the year.
9. Other expenditure - certain projects were not procured during the year

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These consolidated annual financial statements are presented in South African Rand, which is the functional currency of the economic entity.

1.2 Consolidation

Basis of consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

1.2 Consolidation (continued)

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity are identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the consolidated annual financial statements. Significant judgements include:

Revenue Recognition

Accounting Policy on Revenue from Exchange Transactions and Accounting Policy on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. In particular when services are rendered, and whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgment by management..

Impairment of Financial Assets

Accounting Policy on Impairment of Financial Assets describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104: Financial Instruments. The management of the municipality is satisfied that the impairment of financial assets recorded during the year is appropriate.

Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies on property, plant and equipment and intangible assests, the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge

Impairment: Write down of PPE

Significant estimates and judgments are made relating to PPE impairment tests.

Defined Benefit Plan Liabilities

As described in Accounting Policy on employee benefits, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19 Employee Benefits. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Notes to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	
• Office		30 years
Transport assets	Straight line	
• Motor vehicles		7 years
• Trailers and accessories		10 years
• Trucks	Straight line	10 years
Furniture and office equipment		
• Office equipment (including fax machines)		7 years
• Office furniture		7 years
• Paintings, sculptures, ornaments (home and office)	Straight line	10 years
Computer Equipment		
• Computer hardware including operating systems		5 years
• Networks		10 years
• Computer software		5 years
Dams/structure	Straight line	
• Concrete		100 years
• Earth		50 years

1.4 Property, plant and equipment (continued)

River	Straight line	
• Structure: Weir		50 years
• Borehole Establishment		30 years
Pump Stations	Straight line	
• Structure- buildings		55 years
• Structure-Clarifiers		55 years
• Structure-Filters		55 years
Perimeter protection	Straight line	
• Palisade - Concrete		25 years
• Palisade – Steel / Razor wire / Weld mesh		15 years
Reservoirs	Straight line	
• Structure – Concrete		50 years
• Structure – Galaxy		30 years
• Structure – Steel Tank		30 years
Underground: Chambers & Manholes	Straight line	
• Chambers		30 years
• Manholes		30 years
Water purification works	Straight line	
• Structure		55 years
• Ponds		55 years
• Electrical		20 years
Spring protection	Straight line	
• Spring		20 years
• Jojo tank		15 years
• Reticulation		40 years
Sewerage	Straight line	
• Structure - Buildings		55 years
• Structure - Reactors		55 years
• Structure – Drying Beds		55 years
Other machinery and equipment	Straight line	
• Audiovisual equipment		10 years
• Building air conditioning systems		5 years
• Domestic equipment		5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

1.5 Intangible assets (continued)

The economic entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Cash and cash equivalents include cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables..

1.6 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Short-term Investment Deposits – Call	Financial asset measured at amortised cost
Bank Balances and Cash	Financial asset measured at amortised cost
Long-term Receivables	Financial asset measured at amortised cost
Consumer Debtors	Financial asset measured at amortised cost
Other Debtors	Financial asset measured at amortised cost
Investments in Fixed Deposits	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Long-term Liabilities	Financial liability measured at amortised cost
Trade and other payables	Financial liability measured at amortised cost
Bank Overdraft	Financial liability measured at amortised cost
Short-term loans	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.6 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

An allowance for impairment based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable and are recognized in surplus or deficit for the year:

An allowance for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. Changes in the carrying amount of the allowance for impairment are recognized in surplus or deficit for the year.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

1.7 Tax

Value added tax

The Municipality accounts for Value Added Tax on the payments basis.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.10 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The municipality treats its provision for leave pay as an accrual.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

1.10 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KSN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Provident, Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The liability is the aggregate of the present value of the defined obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

1.10 Employee benefits (continued)

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

1.10 Employee benefits (continued)

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.11 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 37.

1.12 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties

Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff

Interest

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straightline basis over the term of the lease agreement, where such lease periods span over more than one financial year.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures..

1.14 Revenue from non-exchange transactions (continued)

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the economic entity.

1.21 Related parties (continued)

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date);
and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after July 1, 2017 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	April 1, 2017	The impact of the amendment is not material.
• GRAP 20: Related parties	April 1, 2017	The impact of the amendment is not material.
• GRAP 109: Accounting by Principals and Agents	April 1, 2017	The impact of the amendment is not material.
• GRAP 21 (as amended 2015): Impairment of non-cash-generating assets	April 1, 2017	The impact of the amendment is not material.
• GRAP 26 (as amended 2015): Impairment of cash-generating assets	April 1, 2017	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	April 1, 2018	The impact of the amendment is not material.

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Figures in Rand	2017	2016	2017	2016
3. Inventories				
Raw materials, components	191,663	262,552	191,663	262,552
Water reduction	(11,819)	(70,889)	(11,819)	(70,889)
	179,844	191,663	179,844	191,663
4. Receivables from exchange transactions				
Prepayments	6,929	14,037	-	-
5. Receivables from non-exchange transactions				
Unauthorised expenditure	5,979	5,979	5,979	5,979
Debtor - Kokstad deposits	105,753	105,753	105,753	105,753
Other debtors	2,366,554	751,918	1,779,631	164,995
Cyclone construction - Farmers market	2,000,000	2,000,000	2,000,000	2,000,000
SARS - debtors/salaries	181,259	181,259	181,259	181,259
ACB/debtors	424,247	424,247	424,247	424,247
Councillors laptops	94,045	94,045	94,045	94,045
Councillors bursary	19,537	19,537	19,537	19,537
	5,197,374	3,582,738	4,610,451	2,995,815
6. VAT receivable				
VAT reconciliation	(35,265,083)	15,116,421	(35,265,083)	15,116,421
Year end creditors VAT reclaimable	70,343,690	18,762,097	70,343,690	18,762,097
VAT on consumer accruals	(18,129,669)	(15,374,432)	(18,129,669)	(15,374,432)
VAT control account - SDA	1,035,916	2,181,278	-	-
	17,984,854	20,685,364	16,948,938	18,504,086
7. Trade and other receivable from exchange transactions				
Gross balances				
Rates	2,862	270,941	2,862	270,941
Water	89,537,584	74,339,713	89,537,584	74,339,713
Value added taxation	18,249,386	15,374,432	18,249,386	15,374,432
Sewerage	41,061,522	35,583,501	41,061,522	35,583,501
Interest	34,395,926	19,663,361	34,395,926	19,663,361
Debtors direct deposits	(55,520)	(72,668)	(55,520)	(72,668)
	183,191,760	145,159,280	183,191,760	145,159,280
Less: Allowance for impairment				
Rates	(2,862)	(270,941)	(2,862)	(270,941)
Water	(71,374,542)	(57,972,162)	(71,374,542)	(57,972,162)
Value added taxation	(15,300,426)	(12,622,584)	(15,300,426)	(12,622,584)
Sewerage	(37,858,907)	(32,220,655)	(37,858,907)	(32,220,655)
Interest	(30,012,399)	(16,853,742)	(30,012,399)	(16,853,742)
	(154,549,136)	(119,940,084)	(154,549,136)	(119,940,084)

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
7. Trade and other receivable from exchange transactions (continued)				
Net balance				
Water	18,163,042	16,367,551	18,163,042	16,367,551
Value added taxation	2,948,960	2,751,848	2,948,960	2,751,848
Sewerage	3,202,615	3,362,846	3,202,615	3,362,846
Interest	4,383,527	2,809,619	4,383,527	2,809,619
Debtors direct deposits	(55,520)	(72,668)	(55,520)	(72,668)
	28,642,624	25,219,196	28,642,624	25,219,196
Water				
Current (0 -30 days)	11,000,669	5,405,855	11,000,669	5,405,855
31 - 60 days	4,902,934	1,779,726	4,902,934	1,779,726
61 - 90 days	3,551,127	1,826,139	3,551,127	1,826,139
> 91	129,403,967	114,718,811	129,403,967	114,718,811
	148,858,697	123,730,531	148,858,697	123,730,531
Reconciliation of allowance for impairment				
Balance at beginning of the year	(119,940,084)	(98,047,806)	(119,940,084)	(98,047,806)
Contributions to allowance	(75,064,990)	(25,567,149)	(75,064,990)	(25,567,149)
Debt impairment written off against allowance	40,455,938	3,674,871	40,455,938	3,674,871
	(154,549,136)	(119,940,084)	(154,549,136)	(119,940,084)

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Figures in Rand	2017	2016	2017	2016

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,302	300	300	300
Bank balances	8,127,034	3,340,855	1,597,841	299,557
Short-term deposits	34,893,683	16,148,546	22,674,410	5,519,119
	43,023,019	19,489,701	24,272,551	5,818,976

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2017	June 30, 2016	June 30, 2015
FNB Ixopo branch Account Number 62022648169	1,597,841	299,557	72,517	1,597,841	299,557	72,517
FNB Call Account - 62032587331	13,504,348	2,099	485,210	13,504,348	2,099	485,210
FNB Call Account - 62095523281	5,870,388	231,610	7,131,803	5,870,388	231,610	7,131,803
FNB Call Account - 62138538692	1,000	47,173	1,145	1,000	47,173	1,145
FNB Call Account - 62398395204	1,000	9,922	415,126	1,000	9,922	415,126
FNB Call Account - 62434145331	5,076	2,735	3,045	5,076	2,735	3,045
FNB Call Account - 62434147072	2,769	11,748	3,977	2,769	11,748	3,977
FNB Call Account - 62434151239	1,005	5,243	6,172,847	5,243	5,243	6,172,847
FNB Call Account - 62414264797	3,134	8,996	9,022	3,134	8,996	9,022
Investec BANK - Call account - 50006688425	3,285,691	5,199,592	11,576,318	3,285,691	5,199,592	11,576,318
FNB Ixopo Branch Account 62313233504	6,529,193	3,041,298	2,006,237	6,529,193	3,041,298	2,006,237
Standard Bank - Kloof branch account 251660419	846,594	9,852,100	3,972,199	846,594	9,852,100	3,972,199
FNB Ixopo Branch account 62372506306	1,828,194	72,588	3,722,622	1,828,194	72,588	3,722,622
Standard Bank - Kloof Branch account 254472435	9,435,082	4,575	502,327	9,435,082	4,575	502,327
FNB account 62478289989	109,403	700,164	39,352	109,403	700,164	39,352
Total	43,020,718	19,489,400	36,113,747	43,024,956	19,489,400	36,113,747

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

9. Property, plant and equipment

Group	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,080,597	-	17,080,597	17,080,597	-	17,080,597
Buildings	57,812,490	(10,655,823)	47,156,667	57,175,107	(8,794,827)	48,380,280
Plant and machinery	2,732,375	(2,188,978)	543,397	2,702,864	(2,047,444)	655,420
Furniture and fixtures	5,759,441	(4,350,185)	1,409,256	5,847,097	(3,946,338)	1,900,759
Motor vehicles	8,787,204	(5,066,652)	3,720,552	12,603,949	(6,841,122)	5,762,827
IT equipment	630,082	(351,383)	278,699	658,596	(303,493)	355,103
Infrastructure	1,275,283,823	(355,867,319)	919,416,504	1,165,297,216	(313,812,288)	851,484,928
Community	5,188,302	(1,626,865)	3,561,437	5,188,302	(1,502,124)	3,686,178
Other property, plant and equipment	6,468,460	(4,276,256)	2,192,204	6,578,641	(4,366,402)	2,212,239
Work in progress	823,772,665	-	823,772,665	758,881,684	-	758,881,684
Finance lease assets	27,328,167	(9,671,404)	17,656,763	14,496,484	(7,946,904)	6,549,580
Total	2,230,843,606	(394,054,865)	1,836,788,741	2,046,510,537	(349,560,942)	1,696,949,595

Municipality	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	17,080,597	-	17,080,597	17,080,597	-	17,080,597
Buildings	31,372,420	(7,449,927)	23,922,493	31,169,837	(6,497,306)	24,672,531
Plant and machinery	2,620,590	(2,140,946)	479,644	2,645,589	(2,021,475)	624,114
Furniture and fixtures	5,074,312	(4,084,462)	989,850	5,160,714	(3,778,977)	1,381,737
Motor vehicles	8,787,204	(5,066,652)	3,720,552	12,603,949	(6,841,122)	5,762,827
Infrastructure	1,275,283,823	(355,867,319)	919,416,504	1,165,297,216	(313,812,288)	851,484,928
Community	5,188,302	(1,626,865)	3,561,437	5,188,302	(1,502,124)	3,686,178
Other property, plant and equipment	6,468,460	(4,276,256)	2,192,204	6,578,641	(4,366,402)	2,212,239
Work in progress	823,772,665	-	823,772,665	758,881,684	-	758,881,684
Finance lease assets	27,328,167	(9,671,404)	17,656,763	14,496,484	(7,946,904)	6,549,580
Total	2,202,976,540	(390,183,831)	1,812,792,709	2,019,103,013	(346,766,598)	1,672,336,415

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group -30 June 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,080,597	-	-	-	-	-	17,080,597
Buildings	48,380,280	637,383	-	-	(1,860,996)	-	47,156,667
Plant and machinery	655,420	56,220	(895)	-	(167,348)	-	543,397
Furniture and fixtures	1,900,759	216,496	(33,668)	-	(674,331)	-	1,409,256
Motor vehicles	5,762,827	-	(638,913)	-	(1,403,362)	-	3,720,552
IT equipment	355,103	174,372	-	-	(250,776)	-	278,699
Infrastructure	851,484,928	-	(712,975)	111,011,467	(38,490,721)	(3,876,195)	919,416,504
Community	3,686,178	-	-	-	(124,741)	-	3,561,437
Other property, plant and equipment	2,212,239	817,826	(68,999)	-	(768,862)	-	2,192,204
Work in progress	758,881,684	175,902,448	-	(111,011,467)	-	-	823,772,665
Finance lease assets	6,549,580	16,642,264	(619,024)	-	(4,916,057)	-	17,656,763
	1,696,949,595	194,447,009	(2,074,474)	-	(48,657,194)	(3,876,195)	1,836,788,741

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	17,080,597	-	-	-	-	17,080,597
Buildings	50,154,388	38,800	-	(1,812,908)	-	48,380,280
Plant and machinery	2,220,598	-	(1,039,057)	(526,121)	-	655,420
Furniture and fixtures	1,982,662	554,208	-	(636,111)	-	1,900,759
Motor vehicles	7,346,799	-	-	(1,583,972)	-	5,762,827
IT equipment	326,749	174,372	-	(146,018)	-	355,103
Infrastructure	885,065,439	-	-	(33,497,171)	(83,340)	851,484,928
Community	3,810,919	-	-	(124,741)	-	3,686,178
Other property, plant and equipment	2,964,382	132,770	-	(884,913)	-	2,212,239
Artwork	517,137,830	241,743,854	-	-	-	758,881,684
Finance Leases	8,997,162	173,180	(490,042)	(2,130,720)	-	6,549,580
	1,497,087,525	242,817,184	(1,529,099)	(41,342,675)	(83,340)	1,696,949,595

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Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - June 30, 2017

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	17,080,597	-	-	-	-	-	17,080,597
Buildings	24,672,531	202,583	-	-	(952,621)	-	23,922,493
Plant and machinery	624,114	-	-	-	(144,470)	-	479,644
Furniture and fixtures	1,381,737	216,496	(32,824)	-	(575,559)	-	989,850
Motor vehicles	5,762,827	-	(638,913)	-	(1,403,362)	-	3,720,552
Infrastructure	851,484,928	-	(712,975)	111,011,467	(38,490,721)	(3,876,195)	919,416,504
Community	3,686,178	-	-	-	(124,741)	-	3,561,437
Other assets	2,212,239	817,826	(68,999)	-	(768,862)	-	2,192,204
Work in progress	758,881,684	175,902,448	-	(111,011,467)	-	-	823,772,665
Finance leases - Assets	6,549,580	16,642,264	(619,024)	-	(4,916,057)	-	17,656,763
	1,672,336,415	193,781,617	(2,072,735)	-	(47,376,393)	(3,876,195)	1,812,792,709

Reconciliation of property, plant and equipment - Municipality - 30 June 2016

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	17,080,597	-	-	-	-	17,080,597
Buildings	25,619,525	-	-	(946,994)	-	24,672,531
Plant and machinery	2,172,910	-	(1,039,059)	(509,737)	-	624,114
Furniture and fixtures	1,384,806	535,593	-	(538,662)	-	1,381,737
Motor vehicles	7,346,799	-	-	(1,583,972)	-	5,762,827
Infrastructure	885,065,439	-	-	(33,497,171)	(83,340)	851,484,928
Community	3,810,919	-	-	(124,741)	-	3,686,178
Other property, plant and equipment	2,897,686	132,770	-	(818,217)	-	2,212,239
Work in progress	517,137,830	241,743,854	-	-	-	758,881,684
Finance lease assets	8,997,162	173,180	(490,042)	(2,130,720)	-	6,549,580
	1,471,513,673	242,585,397	(1,529,101)	(40,150,214)	(83,340)	1,672,336,415

Reconciliation of Work-in-Progress Group - 2017

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

9. Property, plant and equipment (continued)

	Included within Infrastructure	Intangible Assets	Total
Opening balance	757,960,632	921,053	758,881,685
Additions/capital expenditure	175,902,448	-	175,902,448
Transferred to completed items	(111,165,446)	-	(111,165,446)
	822,697,634	921,053	823,618,687

10. Intangible assets

Group	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,745,182	(2,636,104)	1,109,078	3,247,041	(2,125,302)	1,121,739

Municipality	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	2,682,665	(2,254,882)	427,783	2,682,665	(2,039,306)	643,359

Reconciliation of intangible assets - Group - 30 June 2017

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,121,739	498,141	(510,802)	1,109,078

Reconciliation of intangible assets - Group - 30 June 2016

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,098,871	436,074	(413,206)	1,121,739

Reconciliation of intangible assets - Municipality - 30 June 2017

	Opening balance	Amortisation	Total
Computer software, other	643,359	(215,576)	427,783

Reconciliation of intangible assets - Municipality - 30 June 2016

	Opening balance	Amortisation	Total
Computer software, other	1,009,761	(366,402)	643,359

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
11. Investment in entity				
Residual interest at cost				
Unlisted shares	-	-	100	100
100 Ordinary shares @ R1 per share in Harry Gwala Economic Development Agency (Pty) Ltd				
Non-current assets				
Residual interest at cost	-	-	100	100
12. Borrowings				
At amortised cost				
ABSA	18,146,241	21,146,153	18,146,241	21,146,153
The loan bears a nominal fixed interest rate of 11.59 % compounded bi-annually				
The loan is redeemable in twenty equal installment bi-annually in arrears on 31 May and 30 November each year until 31 May 2021 .				
Non-current liabilities				
At amortised cost	12,353,357	15,683,478	12,353,357	15,683,478
Current liabilities				
At amortised cost	5,792,884	5,462,675	5,792,884	5,462,675
13. Finance lease obligation				
Minimum lease payments due				
- within one year	10,007,264	2,646,005	9,973,545	2,601,176
- in second to fifth year inclusive	16,149,268	2,499,787	16,142,143	2,361,042
Present value of minimum lease payments	26,156,532	5,145,792	26,115,688	4,962,218
Present value of minimum lease payments due				
- within one year	6,093,624	2,200,823	6,059,905	2,062,078
- in second to fifth year inclusive	13,997,381	1,592,652	13,990,256	1,547,823
	20,091,005	3,793,475	20,050,161	3,609,901
Non-current liabilities	13,997,381	1,571,080	13,990,256	1,547,823
Current liabilities	6,093,624	2,117,582	6,059,905	2,062,078
	20,091,005	3,688,662	20,050,161	3,609,901
14. Payables from exchange transactions				
Trade payables	77,467,367	156,346,219	76,727,680	155,695,089
Provision for leave pay	10,631,622	9,861,546	10,631,622	9,572,975
Retentions	36,614,603	36,211,325	36,614,603	36,211,325
Debtors unknown deposits	4,441,657	2,955,170	4,441,657	2,955,170
Other payables	669,287	4,092	241,160	4,092
Salary Intergration	3,467,786	4,274,686	3,467,786	4,274,686
	133,292,322	209,653,038	132,124,508	208,713,337

Harry Gwala District Municipality and its Controlled Entity

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
15. Trade and other payables from non-exchange transactions				
Municipal Systems Improvement Grant	-	10,269	-	10,269
Financial Management Grant	-	2,365	-	2,365
Energy Efficiency Demand Management Grant	-	861,060	-	861,060
Neighbourhood Development Grant	235	235	235	235
	235	873,929	235	873,929
16. Consumer deposits				
Water	1,441,387	1,345,978	1,441,387	1,345,978
17. Unspent conditional grants and receipts				
Unspent conditional grants and receipts comprises of:				
Unspent conditional grants and receipts				
Public Transport Grant	66,587	66,587	66,587	66,587
Development Bank of SA	1,460,541	1,460,541	406,480	406,480
MWIG - DWA	15,261,555	-	15,261,555	-
Accredited councillors training grant	62,803	62,803	62,803	62,803
Rural transport service & infrastructure grant	4,299	-	4,299	-
Development planning shared services grant	4,879,982	4,879,982	4,879,982	4,879,982
Local Govt. Sector Education Training Authority	-	172,099	-	172,099
Department of Higher Education and Training grant	6,841,347	6,846,484	-	-
Rural bulk infrastructure grant	26,942,062	-	26,942,062	-
Sihleza maize production project (cogta)	242,413	242,413	242,413	242,413
Signage grant - Cogta	98,112	98,112	98,112	98,112
Government experts grant	445,014	445,014	445,014	445,014
Gijima grant	235,810	235,810	235,810	235,810
Massification - Cogta	36,307	36,307	36,307	36,307
Electricity demand management grant	4,809,200	-	4,809,200	-
District growth summit Cogta	31,301	31,301	31,301	31,301
	61,417,333	14,577,453	53,521,925	6,676,908

See note 22 for reconciliation of grants from National/Provincial Government.

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
18. Provisions				
Non-current liabilities	20,947,488	19,938,185	20,947,488	19,938,185
Current liabilities	567,617	599,421	567,617	599,421
	21,515,105	20,537,606	21,515,105	20,537,606

RETIREMENT BENEFIT LIABILITY

Post-retirement Health Care Benefit Liability

Balance at beginning of year	16,172,855	13,313,118
Contributions to Provision	836,421	2,906,189
Benefits paid	(46,452)	(46,452)
Balance at end of year	16,962,824	16,172,855
Less current portion	49,293	46,452
Non-current portion	16,913,531	16,126,403

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment Medical Aid Benefit Plan are made up as follows:

In-service Members (Employees)	203	210
Continuation Members (Retirees, widowers and orphans)	1	1
Total Members	204	211
The liability in respect of past service has been estimated as follows:		
In-service Members	16,516,860	15,700,487
Continuation Members	445,965	472,369
Total Liability	16,962,825	16,172,856

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Samwumed

Harry Gwala District Municipality and its Controlled Entity

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	10.13 %	9.49 %
Health Care Cost inflation Rate	8.41 %	8.50 %
Net Effective Discount Rate	1.59 %	0.91 %
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligations were as follows:

Balance at the beginning of the year:	16,172,856	13,313,118
Current service costs	1,580,289	1,459,896
Interest cost	1,532,106	1,237,725
Benefits paid	(46,452)	(46,452)
Actuarial losses	(2,275,974)	208,569
Present Value of Fund Obligation at the end of the year	16,962,825	16,172,856

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,580,289	1,459,896
Interest cost	1,532,106	1,237,725
Actuarial losses	(2,275,974)	208,569
Total Post-retirement Benefit included in Employee Related cost	836,421	2,906,190

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality;
- (iv) A one-year decrease in the assumed average retirement age; and
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement

Harry Gwala District Municipality and its Controlled Entity

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

The following table summarises the results of the sensitivity analysis.
Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions	-	16.517	0.446	16.963	- %
Health care inflation	1%	17.652	0.446	18.098	7 %
	-1%	14.936	0.445	15.381	-15 %
Post-retirement mortality	- 1 yr	16.992	0.462	17.454	13 %
Average retirement age	- 1 yr	18.237	0.446	18.683	7 %
Continuation of membership at retirement	-10%	13.822	0.446	14.268	-16 %

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer. The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than that shown.

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2017

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	1,580,300	1,532,100	3,112,400	- %
Health care inflation	1%	1,726,700	1,665,000	3,391,700	9 %
	-1%	1,373,900	1,359,600	2,733,500	-12 %
Post-retirement mortality	- 1 yr	1,629,400	1,582,300	3,211,700	3 %
Average retirement age	- 1 yr	1,630,700	1,614,700	3,245,400	4 %
Continuation of membership at retirement	-10%	1,315,700	1,281,600	2,597,300	-17 %

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2018-

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	1,483,600	1,716,700	3,200,300	- %
Health care inflation	1%	1,586,900	1,831,700	3,418,600	7 %
	-1%	1,324,300	1,556,500	2,880,800	-10 %
Post-retirement mortality	- 1 yr	1,523,900	1,766,500	3,290,400	3 %
Average retirement age	- 1 yr	1,541,000	1,891,000	3,432,000	7 %
Continuation of membership at retirement	-10%	1,240,800	1,443,600	2,684,400	-16 %

Long service awards liability
Balance at beginning of year
Contributions to Provision
Benefits paid
Balance at end of year
Less current portion
Non-current portion

4,364,751	3,718,352
740,499	960,101
(552,969)	(313,702)
4,552,281	4,364,751
518,324	552,969
4,033,957	3,811,782

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2017 by Mr C Weiss, Fellow of the Actuarial Society of South Africa.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.45 %	8.57 %
Salary Cost inflation Rate	6.28 %	7.23 %
Net Effective Discount Rate	2.05 %	1.25 %
Expected Retirement Age - Females	55	55
Expected Retirement Age - Males	60	60

Movements in the present value of the Defined Benefit Obligations were as follows:

Balance at the beginning of the year:	4,364,751	3,718,352
Current service costs	539,556	484,083
Interest cost	350,987	288,602
Benefits paid	(552,969)	(313,702)
Actuarial losses	(150,044)	187,416
Present Value of Fund Obligation at the end of the year	4,552,281	4,364,751

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	539,556	484,083
Interest cost	350,987	288,602
Actuarial losses	(150,044)	187,416
Total Post-retirement Benefit included in Employee Related cost	740,499	960,101

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumptions which tend to have the greatest impact on the results are:

- The general salary inflation rate assumption;
- The discount rate assumption;
- The average retirement age of employees; and
- Assumed rates of withdrawal of employees from service.

Sensitivity Results

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

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Figures in Rand	2017	2016	2017	2016

18. Provisions (continued)

The following table summarises the results of the sensitivity analysis.
Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	% change
Central Assumptions	-	4.552	- %
General salary inflation	1%	4.841	6 %
	-1%	4.289	-6 %
Average retirement age	+2 yr	4.074	-11 %
	- 2 yr	4.926	8 %
Withdrawal rate	-50%	5.776	27 %

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2017

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	539,600	351,000	890,600	- %
General salary inflation	1%	584,100	375,600	959,700	8 %
	-1%	499,500	328,600	828,100	-14 %
Average retirement age	+2 yr	487,500	310,100	797,600	-4 %
	- 2 yr	583,100	385,600	968,700	21 %
Withdrawal rate	-50%	746,100	450,600	1,196,700	24 %

Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2016-

Assumption	Change	Current service cost	Interest cost	Total	% change
Central Assumptions	-	504,900	363,400	868,300	- %
General salary inflation	1%	544,400	387,800	932,200	7 %
	-1%	469,200	341,100	810,300	-13 %
Average retirement age	+2 yr	455,300	323,000	778,300	-4 %
	-2yr	544,300	393,600	937,900	21 %
Withdrawal rate	-50%	693,300	466,800	1,160,100	24 %

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
19. Service charges				
Sale of water	69,624,542	31,479,609	69,624,542	31,479,609
Sewerage and sanitation charges	10,214,282	11,446,936	10,214,282	11,446,936
	79,838,824	42,926,545	79,838,824	42,926,545
20. Other income				
Clearance certificate	1,829	2,049	1,829	2,049
Sundry Income	150	150	150	150
Onsite disposal - sanitation	16,134	55,467	16,134	55,467
Insurance refunds	326,454	680,664	326,454	680,664
Sewer connection	19,145	37,538	19,145	37,538
Tender documents	421,703	245,277	381,300	204,250
Conservancy tanks	74,346	133,230	74,346	133,230
Vaccum tank - honeysucker	114,321	149,997	114,321	149,997
Water connection fees	33,697	54,703	33,697	54,703
Water sales - tankers	798,161	461,456	798,161	461,456
Salary deductions	364,498	390,378	364,498	390,378
Endowment fees	-	18,876	-	18,876
	2,170,438	2,229,785	2,130,035	2,188,758
21. Investment revenue				
Interest revenue				
Intrest on investments	6,067,248	3,364,325	5,281,409	3,070,961

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
22. Government grants and subsidies				
Operating grants				
Equitable share	260,069,000	241,034,114	260,069,000	241,034,114
Expanded Public Works Programme	3,369,138	3,466,000	3,364,000	3,466,000
Rural household infrastructure grant	-	4,500,000	-	4,500,000
Intergovernment Relations Grant	-	500,000	-	-
Municipal Systems Improvement Grant	10,269	929,731	10,269	929,731
Financial Management Grant	1,252,365	1,247,635	1,252,365	1,247,635
Local Govt. Sector Education Training Authority	343,177	-	343,177	-
PMU MIG grant	12,911,693	7,441,804	12,911,693	7,441,804
Planning and Shared Services grant	-	240,000	-	240,000
Rural Transportation Service Infrastructure Grant	2,090,701	2,040,000	2,090,701	2,040,000
Energy Efficient and Demand Management Grant	4,051,860	6,138,940	4,051,860	6,138,940
Drought Relief	-	14,102,906	-	14,102,906
Development Bank of South Africa	11,412,517	440,200	11,412,517	-
Department of Higher Education and Training	-	14,005,819	-	-
	295,510,720	296,087,149	295,505,582	281,141,130
Capital grants				
Rural Bulk Infrastructure grant	21,057,938	15,149,847	21,057,938	15,149,847
Municipal Infrastructure grant	178,155,307	192,342,196	178,155,307	192,342,196
Municipal Water Infrastructure Grant	59,443,928	43,500,000	59,443,928	43,500,000
Drought Relief	10,000,000	-	10,000,000	-
	268,657,173	250,992,043	268,657,173	250,992,043
	564,167,893	547,079,192	564,162,755	532,133,173
Equitable Share				
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.				
Municipal Infrastructure Grant				
Current-year receipts	191,067,000	199,784,000	191,067,000	199,784,000
Conditions met - transferred to revenue	(191,067,000)	(199,784,000)	(191,067,000)	(199,784,000)
	-	-	-	-
Drought Relief Grant				
Current-year receipts	10,000,000	14,102,906	10,000,000	14,102,906
Conditions met - transferred to revenue	(10,000,000)	(14,102,906)	(10,000,000)	(14,102,906)
	-	-	-	-
Municipal Systems Improvement Grant				
Current-year receipts	-	940,000	-	940,000
Conditions met - transferred to revenue	(10,269)	(929,731)	(10,269)	(929,731)
Adjustment to payables from non - exchange	10,269	(10,269)	10,269	(10,269)
	-	-	-	-
Public Transport Grant				
Balance unspent at beginning of year	66,587	66,587	66,587	66,587

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

22. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 17).

Development Bank of SA

Balance unspent at beginning of year	1,460,541	423,378	406,480	406,480
Current-year receipts	-	1,477,363	-	-
Conditions met - transferred to revenue	-	(440,200)	-	-
	1,460,541	1,460,541	406,480	406,480

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant

Current-year receipts	1,250,000	1,250,000	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,247,635)	(1,247,635)	(1,247,635)	(1,247,635)
Adjustment to payables from non - exchange	(2,365)	(2,365)	(2,365)	(2,365)
	-	-	-	-

Municipal Water Infrastructure Grant - DWA

Current-year receipts	86,118,000	43,500,000	86,118,000	43,500,000
Conditions met - transferred to revenue	(70,856,445)	(43,500,000)	(70,856,445)	(43,500,000)
	15,261,555	-	15,261,555	-

Accredited Councillors Training

Balance unspent at beginning of year	62,803	62,803	62,803	62,803
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Conditions still to be met - remain liabilities (see note 17).

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

22. Government grants and subsidies (continued)

Rural Transport Service & Infrastructure Grant

Balance unspent at beginning of year	-	195,134	-	195,134
Current-year receipts	2,095,000	2,040,000	2,095,000	2,040,000
Conditions met - transferred to revenue	(2,090,701)	(2,040,000)	(2,090,701)	(2,040,000)
Adjustment	-	(195,134)	-	(195,134)
	4,299	-	4,299	-

Conditions still to be met - remain liabilities (see note 17).

Development Planning Shared Services

Balance unspent at beginning of year	4,879,982	3,019,982	4,879,982	3,019,982
Current-year receipts	-	2,100,000	-	2,100,000
Conditions met - transferred to revenue	-	(240,000)	-	(240,000)
	4,879,982	4,879,982	4,879,982	4,879,982

Conditions still to be met - remain liabilities (see note 17).

Local Government Sector Education Training Authority

Balance unspent at beginning of year	172,099	172,099	172,099	172,099
Current-year receipts	171,078	-	171,078	-
Conditions met - transferred to revenue	(343,177)	-	(343,177)	-
	-	172,099	-	172,099

Conditions still to be met - remain liabilities (see note 17).

Department of Higher Education and Training grant

Balance unspent at beginning of year	6,846,484	6,846,484	-	-
Conditions met - transferred to revenue	(5,137)	-	-	-
	6,841,347	6,846,484	-	-

Conditions still to be met - remain liabilities (see note 17).

Regional Bulk Infrastructure Grant

Current-year receipts	48,000,000	15,149,847	48,000,000	15,149,847
Conditions met - transferred to revenue	(21,057,938)	(15,149,847)	(21,057,938)	(15,149,847)
	26,942,062	-	26,942,062	-

Conditions still to be met - remain liabilities (see note 17).

SIHLEZA Maize Production Project (COGTA)

Balance unspent at beginning of year	242,413	242,413	242,413	242,413
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Conditions still to be met - remain liabilities (see note 17).

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
22. Government grants and subsidies (continued)				
Expanded Public Works Programme				
Current-year receipts	3,364,000	3,466,000	3,364,000	3,466,000
Conditions met - transferred to revenue	(3,364,000)	(3,466,000)	(3,364,000)	(3,466,000)
	-	-	-	-
Conditions still to be met - remain liabilities (see note 17).				
Signage Grant -CoGTA				
Balance unspent at beginning of year	98,112	98,112	98,112	98,112
Conditions still to be met - remain liabilities (see note 17).				
Government Experts				
Balance unspent at beginning of year	445,014	445,014	445,014	445,014
Conditions still to be met - remain liabilities (see note 17).				
Gijima Grant				
Balance unspent at beginning of year	235,810	235,810	235,810	235,810
Conditions still to be met - remain liabilities (see note 17).				
Massification (COGTA)				
Balance unspent at beginning of year	36,307	36,307	36,307	36,307
Conditions still to be met - remain liabilities (see note 17).				
Energy Efficiency Demand Side Management Grant				
Balance unspent at beginning of year	-	2,439,980	-	2,439,980
Current-year receipts	8,000,000	7,000,000	8,000,000	7,000,000
Conditions met - transferred to revenue	(4,051,860)	(6,138,940)	(4,051,860)	(6,138,940)
Adjustment	861,060	(3,301,040)	861,060	(3,301,040)
	4,809,200	-	4,809,200	-
Conditions still to be met - remain liabilities (see note 17).				
District Growth Summit CoGTA				
Balance unspent at beginning of year	31,301	31,301	31,301	31,301
Conditions still to be met - remain liabilities (see note 17).				

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

22. Government grants and subsidies (continued)

Rural infrastructure household grant

Balance unspent at beginning of year	-	2,066,070	-	2,066,070
Current-year receipts	4,500,000	4,500,000	-	4,500,000
Conditions met - transferred to revenue	(4,500,000)	(6,566,070)	-	(6,566,070)
	-	-	-	-

EDTEA - Tourism development

Balance unspent at beginning of year	-	500,000	-	-
Current-year receipts	-	(500,000)	-	-
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

23. Revenue

Service charges	79,838,824	42,926,545	79,838,824	42,926,545
Interest received (trading)	16,394,536	8,663,846	16,394,536	8,663,846
Other income - (rollup)	2,170,438	2,229,785	2,130,035	2,188,758
Interest received - investment	6,067,248	3,364,325	5,281,409	3,070,961
Government grants & subsidies	564,167,893	547,079,192	564,162,755	532,133,173
	668,638,939	604,263,693	667,807,559	588,983,283

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	79,838,824	42,926,545	79,838,824	42,926,545
Interest received (trading)	16,394,536	8,663,846	16,394,536	8,663,846
Other income - (rollup)	2,170,438	2,229,785	2,130,035	2,188,758
Interest received - investment	6,067,248	3,364,325	5,281,409	3,070,961
	104,471,046	57,184,501	103,644,804	56,850,110

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Transfer revenue

Government grants & subsidies	564,167,893	547,079,192	564,162,755	532,133,173
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24. Bulk purchases

Water	8,564,893	8,576,718	8,564,893	8,576,718
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Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
25. Community participation				
Bursaries - Community	354,850	416,834	354,850	416,834
Ceremonial Activities	220,384	77,000	220,384	77,000
Cleaning Campaign	75,700	17,000	75,700	17,000
Conduct Greenest Municipality	193,435	311,540	193,435	311,540
IDP Review	714,280	551,888	714,280	551,888
Mayoral Izimbizo	434,320	1,625,601	434,320	1,625,601
Mayoral Slots	199,190	549,737	199,190	549,737
Press Conference and Media Briefings	21,082	20,760	21,082	20,760
Nyusi Volume	877,193	1,000,000	877,193	1,000,000
Community participation	59,267	-	59,267	-
	3,149,701	4,570,360	3,149,701	4,570,360

26. Contracted services

Annual Financial Statements	3,017,500	3,263,955	3,017,500	3,263,955
Assessment of Asset Register	3,740,291	3,772,481	3,740,291	3,772,481
Audit committee	506,329	488,828	506,329	488,828
Contracted services - SDA	845,777	2,684,265	-	-
Protective Clothing and Uniforms	1,220,313	1,066,579	1,220,313	1,066,579
Gardening Service	117,400	63,230	117,400	63,230
Training	188,131	1,559,980	188,131	1,559,980
Kokstad Park	-	105,257	-	105,257
Legal Fees	1,211,861	887,469	1,211,861	887,469
MFMA Capacity Building	48,185	200,756	48,185	200,756
Water Meters Audit and Collection Costs	304,600	1,176,886	304,600	1,176,886
Office Cleaning	345,578	399,243	345,578	399,243
Chemical Supply	2,841,838	3,641,527	2,841,838	3,641,527
PMS/SDBIP Review	53,040	391,240	53,040	391,240
Rain Water Harvesting	10,140,108	17,559,910	10,140,108	17,559,910
Repairs and maintenance in Ingwe	-	2,610,104	-	2,610,104
Repairs and maintenance in Kokstad	340,530	2,604,067	340,530	2,604,067
Repairs and maintenance in Kwasani	-	525,965	-	525,965
Repairs and maintenance in Ubuhlebezwe	65,770	5,273,714	65,770	5,273,714
Repairs and maintenance in Umzimkhulu	456,180	8,327,594	456,180	8,327,594
Rental of Office Equipment	316,899	534,313	316,899	534,313
Security Services	16,566,781	12,960,180	16,566,781	12,960,180
Sports Development	3,522,411	4,812,572	3,522,411	4,812,572
Supplier Database Cleansing	991,159	2,488,812	991,159	2,488,812
Systems and Administration Support	3,844,144	4,815,703	3,844,144	4,815,703
E - Venus System Maintenance	1,253,754	866,960	1,253,754	866,960
Computer Licences and Financial Systems	913,135	1,156,686	913,135	1,156,686
Conferences and Services	2,126,543	710,886	2,126,543	710,886
Upgrade And Maintenance	-	229,078	-	229,078
VAT Consultant	-	1,159,723	-	1,159,723
Water Quality Monitoring	1,397,273	2,229,243	1,397,273	2,229,243
	56,375,530	88,567,206	55,529,753	85,882,941

27. Contribution to bad debt provision

Contribution to bad debt provision	75,064,990	25,567,149	75,064,990	25,567,149
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Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

28. Depreciation and amortisation

Property, plant and equipment	48,562,747	41,342,672	47,376,394	40,216,910
Intangible assets	510,802	413,206	215,576	366,402
	49,073,549	41,755,878	47,591,970	40,583,312

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
29. Employee related costs				
Basic	88,853,968	83,147,164	84,041,233	78,368,690
Bonus	547,303	-	-	-
Social contributions - medical aid	6,016,887	5,306,170	5,909,959	5,306,170
UIF	674,685	659,950	614,466	590,737
SDL	1,273,741	1,161,526	1,195,814	1,090,924
Other payroll levies	1,788,466	1,480,317	-	-
Leave pay provision charge	1,706,338	1,666,328	1,547,381	1,600,678
Health care retirement benefit	789,969	2,859,737	789,969	2,859,737
Social contributions - pension fund	10,810,820	9,965,133	10,810,820	9,965,133
Social contribution - SALGBC	31,205	29,754	31,205	29,754
Travel, motor car, accommodation, subsistence and other allowances	14,272,370	10,128,055	14,272,370	10,128,055
Overtime payments	15,055,738	12,964,155	15,055,738	12,964,155
Long-service awards	187,530	646,399	187,530	646,399
Housing benefits and allowances	1,361,020	1,299,430	1,361,020	1,299,430
Acting allowances	22,823	30,189	-	-
Experimental learning	-	180,576	-	180,576
	143,392,863	131,524,883	135,817,505	125,030,438

Remuneration of municipal manager

Annual Remuneration	961,598	915,324	961,598	915,324
Travel, motor car, accommodation, subsistence and other allowances	402,296	378,759	402,296	378,759
Cellphone Allowance	17,694	16,692	17,694	16,692
Social contributions - UIF	1,785	1,784	1,785	1,784
Social contributions - Medical Aid	43,417	43,417	43,417	43,417
Social Contributions - SALGBC	90	87	90	87
Skills	13,718	13,034	13,718	13,034
	1,440,598	1,369,097	1,440,598	1,369,097

Remuneration of chief finance officer

Annual Remuneration	882,350	844,735	882,350	844,735
Bonus	77,532	64,869	77,532	64,869
Acting Allowance	-	17,655	-	17,655
Travel, motor car, accommodation, subsistence and other allowances	327,420	312,250	327,420	312,250
Cellphone Allowance	17,694	16,692	17,694	16,692
Social contributions - UIF	1,785	1,785	1,785	1,785
Social contributions - Medical Aid	34,556	30,938	34,556	30,938
Social Contributions - SALGBC	90	87	90	87
Skills	13,081	12,572	13,081	12,572
	1,354,508	1,301,583	1,354,508	1,301,583

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

29. Employee related costs (continued)

Remuneration of Corporate Services Manager

Annual Remuneration	839,334	802,569	839,334	802,569
Bonus	73,386	62,222	73,386	62,222
Travel, motor car, accommodation, subsistence and other allowances	271,077	258,518	271,077	258,518
Cellphone Allowance	17,694	16,692	17,694	16,692
Social contributions - UIF	1,785	1,785	1,785	1,785
Social contributions - Medical Aid	32,432	28,183	32,432	28,183
Social Contributions - SALGBC	90	87	90	87
Skills	11,977	11,337	11,977	11,337
	1,247,775	1,181,393	1,247,775	1,181,393

Remuneration of Water Services Manager

Annual Remuneration	812,087	777,320	812,087	777,320
Travel, motor car, accommodation, subsistence and other allowances	419,098	399,680	419,098	399,680
Cellphone Allowance	17,692	16,692	17,692	16,692
Contributions - UIF	1,785	1,785	1,785	1,785
Contributions - Skills	11,965	11,437	11,965	11,437
Contributions - SALGBC	90	87	90	87
	1,262,717	1,207,001	1,262,717	1,207,001

Remuneration of Engineering Manager - Infrastructure

Annual Remuneration	1,024,449	979,929	1,024,449	979,929
Bonus	80,538	83,867	80,538	83,867
Travel, motor car, accommodation, subsistence and other allowances	127,200	109,000	127,200	109,000
Cellphone Allowance	17,692	16,692	17,692	16,692
Contributions - UIF	1,785	1,785	1,785	1,785
Contributions - SALGBC	90	87	90	87
Contributions - Skills	12,244	11,677	12,244	12,244
	1,263,998	1,203,037	1,263,998	1,203,604

Remuneration of Local Economic Development Manager

Annual Remuneration	-	543,793	-	543,793
Car Allowance	-	137,411	-	137,411
Performance Bonuses	-	-	-	12,875
Contributions to UIF, Medical and Pension Funds	-	1,785	-	1,785
Other	-	25,088	-	25,088
Other	-	81	-	81
	-	44,000	-	44,000
	-	752,158	-	765,033

Harry Gwala District Municipality and its Controlled Entity

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

29. Employee related costs (continued)

Remuneration of Chief Executive Office - Harry Gwala Economic Development Agency

Annual Remuneration	1,292,087	795,038	1,292,087	795,038
Car Allowance	120,000	10,000	120,000	10,000
Contributions to UIF, Medical and Pension Funds	17,269	2,176	17,269	2,176
13th Cheque	107,674	-	107,674	-
	1,537,030	807,214	1,537,030	807,214

Mr Cezu resigned on 31 January 2016 and the new CEO was appointed in June 2016. From February 2016 to May 2016 CFO was acting..

Remuneration of Chief Financial Officer - Harry Gwala Economic Development Agency

Annual Remuneration	954,975	772,500	954,975	772,500
Car Allowance	120,000	120,000	120,000	120,000
Contributions to UIF, Medical and Pension Funds	14,094	10,772	14,094	10,772
Acting Allowance	-	30,189	-	30,189
13th Cheque	79,581	-	79,581	-
	1,168,650	933,461	1,168,650	933,461

Remuneration of Board Members - Attendance fees at meetings

IB MKHIZE - appointed on 1 April 2016	150,701	38,314	150,701	38,314
VIV MADE - appointed on 1 April 2016	44,823	35,640	44,823	35,640
PZ DUMA - appointed on 1 April 2016	36,177	42,120	36,177	42,120
JP KHOZA - resigned on 31 March 2016	-	107,035	-	107,035
ZW NDAMASE - resigned on 31 March 2016	-	87,600	-	87,600
NC ZUNGU - resigned on 31 March 2016	-	64,560	-	64,560
A DHUKI - resigned on 31 March 2016	-	51,840	-	51,840
	231,701	427,109	231,701	427,109

Remuneration of Board Members - Travelling re-imbursements

IB MKHIZE - appointed on 1 April 2016	36,756	8,544	36,756	8,544
VIV MADE - appointed on 1 April 2016	26,685	7,925	26,685	8,544
PZ DUMA - appointed on 1 April 2016	25,963	5,980	25,963	5,980
JP KHOZA - resigned on 31 March 2016	-	13,930	-	13,930
ZW NDAMASE - resigned on 31 March 2016	-	21,068	-	21,068
NC ZUNGU - resigned on 31 March 2016	-	4,372	-	-
A DHUKI - resigned on 31 March 2	-	13,142	-	13,142
	89,404	74,961	89,404	71,208

Remuneration of Community Services Manager

Annual Remuneration	754,011	355,665	754,011	355,665
Travel, motor car, accommodation, subsistence and other allowances	243,305	114,767	243,305	114,767
Cellphone Allowance	16,536	7,800	16,536	7,800
Social contributions - UIF	1,785	892	1,785	892
Social contributions - Skills	9,833	4,638	9,833	4,638
Contributions-SALGBC	61	-	61	-
	1,025,531	483,762	1,025,531	483,762

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

29. Employee related costs (continued)

Ms James was appointed on the 1st of January 2016.

30. Finance costs

External borrowings	4,312,671	2,883,661	4,312,671	2,883,661
Bank	7,297	6,591	-	-
	4,319,968	2,890,252	4,312,671	2,883,661

Harry Gwala District Municipality and its Controlled Entity

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2017	2016	2017	2016
31. General expenses				
Accounting fees	231,781	113,149	-	-
Advertising	762,064	633,732	645,843	483,541
Annual reports	28,000	5,504	28,000	5,504
Auditors remuneration	2,665,365	2,712,128	2,254,853	2,076,759
Bank charges	143,163	162,022	123,407	109,484
Books and publications	15,546	255,634	15,546	255,634
Bursaries	217,376	390,120	217,376	390,120
Chemicals supply	1,140,192	-	1,072,853	-
Cleaning materials	27,569	37,985	-	-
Communications	436,918	552,752	-	-
Cultural activities	189,900	252,300	189,900	252,300
Departmental electricity consumption	328,915	333,989	268,852	333,989
Disability awareness	86,164	298,237	86,164	298,237
Disaster management	421,449	894,504	421,449	894,504
Donation expenses	197,002	-	-	-
Employee wellness programme	67,533	454,055	67,533	454,055
Engineering and mentorship skills	1,624	164,607	-	164,607
Evenus municipal financial system	112,046	-	-	-
Facilitation and coodination of education programme	130,500	-	-	-
Financial assistance and school campaign	36,325	311,715	36,325	311,715
Fines and penalties	-	340,887	-	224,342
Fire Beaters	49,350	89,280	49,350	89,280
Fuel and oil	5,156,821	5,749,917	5,135,202	5,725,077
Functions	503,219	1,533,392	503,219	1,533,392
Golden games	218,093	208,940	218,093	208,940
HIV and AIDS sukumasakhe	234,064	980,972	234,064	980,972
Harry Gwala district marathon	1,045,375	1,018,926	1,045,375	1,018,926
Harry Gwala spatial development framework	689,509	85,868	689,509	85,868
Implementation of internal audit plan	1,093	203,784	1,093	203,784
Installation of water meters	-	2,057,403	-	2,057,403
Insurance	900,959	826,558	790,833	676,773
Legal fees	67,979	63,767	(9,355)	-
MFMA capacity building programme	109,809	55,472	109,809	55,472
Marketing	212,350	302,957	212,350	302,957
Media tour	199,750	399,075	199,750	399,075
Membership fees	31,239	49,078	31,239	49,078
Motor vehicle expenses	186,146	168,786	186,146	155,157
Operating lease rentals	109,046	74,912	-	-
Other expenses	1,226,578	954,480	1,226,578	880,361
Planned projects as per priority	1,189,095	1,065,068	1,189,095	1,065,068
Postage	186,169	212,726	186,169	212,726
Printing and stationery	1,178,145	947,499	1,113,777	874,627
Protective clothing	10,505	(90,663)	-	(111,491)
Publication of newsletter	463,500	989,375	463,500	989,375
Refuse charges	769,268	2,244	769,268	-
Rental Offices	1,343,147	749,828	1,343,147	749,828
Rural horse riding games	301,010	511,188	301,010	511,188
Magazines, books and periodicals	1,596,233	849,836	-	-
SCM capacity building	194	-	194	-
Sewer intervention	7,139,686	15,903,069	7,139,686	15,903,069
Software expenses	943,338	482,218	943,338	482,218
Sports development	12,500	-	12,500	-
Staff replacement and reallocation costs	-	20,675	-	20,675
Staff welfare	87,509	270,267	76,700	218,345
Subscriptions and membership fees	41,282	1,291,556	32,000	1,291,556
System administration support	-	504,251	-	504,251
Technical support	811,418	71,244	811,418	71,244
Telephone and fax	4,079,845	4,625,260	4,079,845	4,625,260

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Group		Municipality	
	2017	2016	2017	2016
31. General expenses (continued)				
Tracker	243,312	238,202	243,312	238,202
Training	605,618	371,752	419,789	184,211
Travel, accommodation and subsistence allowances	2,031,982	2,823,543	1,589,488	2,176,973
Umngeni farm detailed plan	-	26,180	-	26,180
Union fees	7,280	4,030	-	-
Vehicle rental	3,645,362	251,826	3,645,362	251,826
Videography	36,000	93,290	36,000	93,290
Water conservation health and hygiene	-	715,507	-	715,507
Water expenses	17,183,348	24,631,666	17,183,348	24,631,666
Water intervention	14,836,743	15,364,624	14,836,743	15,364,624
Website managemnet	40,267	48,971	40,267	48,971
Women's day celebration	326,800	199,900	326,800	199,900
Youth council	-	28,750	-	28,750
Youth development empowerment plan	-	332,658	-	332,658
	77,290,368	96,273,427	72,834,112	92,378,003

32. Operating grant expenses

Harry Gwala District Municipality

EPWP - Salaries	2,860,639	1,491,566	2,860,639	1,491,566
Energy efficiency Project management and consultation fees	7,772,860	5,385,035	7,772,860	5,385,035
Eradication of Sanitation Backlogs in Ubuhlebezwe	1,778,552	2,522,082	1,778,552	2,522,082
Eradication of Sanitation Backlogs in Umzimukhulu	878,594	8,066,635	878,594	8,066,635
FMG - Systems Adiministration and Support	399,371	617,685	399,371	617,685
FMG - Training	5,299	4,000	5,299	4,000
FMG - Travel and accomodation	78,843	73,151	78,843	73,151
WSIG-Sanitation	10,000,000	-	10,000,000	-
Ground water borehole drilling-Drought relief	854,456	-	854,456	-
Ingwe Household Sanitation Project	7,736,502	6,560,731	7,736,502	6,560,731
MSIG - Systems Administration and Support	-	568,898	-	568,898
MSIG - Training	-	58,817	-	58,817
MSIG - Travel and accomodation	-	191,429	-	191,429
PMU - Travel and accomodation	570,246	67,565	570,246	67,565
Raw water purchases	115,852	289,349	115,852	289,349
Rural roads site supervision and consulting fees	2,185,558	1,699,790	2,185,558	1,699,790
Salaries - Development Planning Shared Services	-	240,000	-	240,000
	35,236,772	27,836,733	35,236,772	27,836,733

Harry Gwala Development Agency

DHET expenses	5,138	-	-	-
Department of higher education and training grant expenditure	-	13,317,634	-	-
Development bank of South Africa grant expenditure	-	440,200	-	-
	5,138	13,757,834	-	-
	35,241,910	41,594,567	35,236,772	27,836,733

33. Remuneration of councillors

Councillors	4,243,615	5,382,257	4,243,615	5,382,257
Cellphone allowance	224,516	273,212	224,516	273,212
Meeting allowance	213,960	49,461	213,960	49,461
Travelling allowance	769,903	332,678	769,903	332,678
	5,451,994	6,037,608	5,451,994	6,037,608

Harry Gwala District Municipality and its Controlled Entity

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Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
34. Repairs and Maintenance				
Fire Extinguishers	166,565	170,414	40,793	-
Machanical and electrical	8,223,307	9,017,354	8,223,307	7,119,378
Office Building	1,256,181	1,508,200	1,256,181	2,881,585
IT equipment	503,825	25,173	503,825	245,483
Vehicles	150,842	108,455	150,842	186,912
Maintenance of Ubuhlebezwe Schemes	3,311,724	5,584,205	3,311,724	1,671,951
Maintenance of Umzimkhulu Schemes	2,005,623	5,834,580	2,005,623	5,368,119
Maintenance of Ingwe Schemes	606,328	3,225,852	606,328	1,537,925
Maintenance of Kokstad Schemes	6,946,952	1,569,855	6,946,952	2,619,844
Maintenance of Kwasani Schemes	1,687,472	65,047	1,687,472	456,903
	24,858,819	27,109,135	24,733,047	22,088,100
35. Cash generated from operations				
Surplus	181,597,621	126,204,637	178,269,640	124,989,180
Adjustments for:				
Depreciation and amortisation	49,073,549	41,755,878	47,591,970	40,583,311
Loss on disposal of assets	59,434	1,529,100	40,983	1,529,100
Impairment deficit	3,876,195	83,340	3,876,195	83,340
Contribution to bad debt provision	75,064,990	25,567,149	75,064,990	25,567,149
Movements in provisions	977,499	3,506,136	977,499	3,506,136
Leave pay provision	1,198,200	1,006,893	1,058,647	953,168
Changes in working capital:				
Inventories	11,819	70,889	11,819	70,889
Receivables from exchange transactions	7,108	16,670	-	-
Trade and other receivable from exchange transactions	(78,488,418)	(25,082,215)	(78,488,418)	(25,082,215)
Other receivables from non-exchange transactions	(1,614,636)	2,080,254	(1,614,636)	2,080,254
Payables from exchange transactions	(77,558,916)	63,883,720	(77,647,476)	68,517,064
VAT	4,719,699	(18,145,093)	3,574,337	(17,080,981)
Payable from non exchange transactions	(873,694)	873,694	(873,694)	873,694
Unspent conditional grants and receipts	46,839,880	6,780,632	46,845,017	(603,015)
Consumer deposits	95,409	88,666	95,409	88,666
	204,985,739	230,220,350	198,782,282	226,075,740

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

Notes to the Consolidated Annual Financial Statements

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
36. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Infrastructure	190,616,410	199,527,221	190,616,410	199,527,221
• Intangible assets	1,598,592	873,645	-	-
	192,215,002	200,400,866	190,616,410	199,527,221
Total capital commitments				
Already contracted for but not provided for	192,215,002	200,400,866	190,616,410	199,527,221
Operating leases - as lessee (expense)				
Minimum lease payments due				
- within one year	63,384	65,242	-	-
- in second to fifth year inclusive	45,662	63,384	-	-
	109,046	128,626	-	-

Operating lease payments represent rentals payable by the entity for a car hire and printing machines. Leases were negotiated for an average term of 3 years.

Harry Gwala District Municipality and its Controlled Entity

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

37. Contingencies

	Group		Municipality	
Figures in Rand	2017	2016	2017	2016
Unitrade 1047 CC T/A Isidingo Security Services	-	25,000,000	-	25,000,000
Mondli Lukhozi	30,000	-	30,000	-
Bhungane Built Environment	2,750,000	3,000,000	2,750,000	3,000,000
Fleetmatics vehicle management	-	80,000	-	80,000
Matatiele Local Municipality	2,941,249	2,941,249	2,941,249	2,941,249
Mdlebeni Trading (Pty) Ltd	1,400,000	1,500,000	1,400,000	1,500,000
Sektor Consulting and engineers	572,567	400,000	572,567	400,000
T.G Mazongolo	-	100,000	-	100,000
V.K Distributors	-	5,000	-	5,000
Mahlaselondwe Trading	4,200,000	-	4,200,000	-
Shemuntu Trading CC	47,850	-	47,850	-
Subtotal	11,941,666	33,026,249	11,941,666	33,026,249
National Skills Fund - HGDA	1,742,245	1,742,245	-	-
	13,683,911	34,768,494	11,941,666	33,026,249

- **V.K Distributors Ref: 01H008101**

This is an interdict application against the Municipality for tender number HGDM 432/HGDM/2014. The application was defended and has been pending and is likely to be withdrawn by the applicant.

- **Actus Management Ref: 02H008003**

This is a claim for payment for services rendered. There is also a potential claim for damages based on breach. The claim for payment for services rendered has recently been settled.

- **Unitrade 1047 CC T/A Isidingo Security Services**

This was an application to interdict the Municipality from appointing another security service provider, pending the outcome of a review. The application for the interdict has been successfully resisted by the municipality and we are presently opposing the review through our lawyers.

- **Mondli Lukhozi**

Action has been instituted against the Municipality. The matter is currently being defended.

- **Fleetmatics vehicle management Ref: 05H008005**

This is a claim for payment for services rendered. The matter has been defended.

- **Matatiele Local Municipality**

This is a claim for rates for Matetiele Local Municipality.

- **Mdlebeni Trading (Pty) Ltd Ref: 02H008068**

This claim is for damages against the Municipality. The matter is defended and a plea has been filed.

- **Sektor Consulting and engineers Ref: 05H008002**

This is a claim for payment for services rendered. The matter has been defended.

Harry Gwala District Municipality and its Controlled Entity

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

37. Contingencies (continued)

- **T.G Mazongolo Ref: 02H008025**

Applicant proceeded with labour court referral. The matter is proceeding to trial and awaits the allocation of a trial date.

Shemuntu Trading CC. Action has been instituted against the Municipality. The matter is being defended.

Mahlaselondwe Trading

Action instituted against the Municipality for professional services rendered. Matter currently pending as we await a condonation application to be filed for the late delivery of the Plaintiff's Replying Affidavit in the application to condone its failure to comply with section 3(2)(a) of Act 40 of 2002.

Action has been instituted against the Municipality. The matter is being defended.

38. Related parties

Controlled entity

Harry Gwala Economic Development Agency (Pty)
Ltd

Controlling entity

Harry Gwala District Municipality

Controlled Entities

The Harry Gwala District Municipality controls the following reporting entity:

Harry Gwala Economic Development Agency:

Harry Gwala District Municipality has 100% shareholding in Harry Gwala Economic Development Agency. Harry Gwala Economic Development Agency is a registered (PTY) Ltd company in terms of the Company Act 71 of 2008.

Related Party Transactions

During the reporting period Harry Gwala District Municipality has transferred R16 096 020 to Harry Gwala Economic Development Agency.

In the previous financial 2014/2015 Harry Gwala District Municipality transferred R16 500 000 to Harry Gwala Economic Development Agency

Key Management Personnel

The key management personnel of Harry Gwala Economic Development Agency are:

The Chief Executive Officer Dr M A Mdletye

The Chief Financial Officer Mrs N R Shabalala

39. Change in estimate

Property, plant and equipment

The useful life of leased vehicles from AVIS Car Rental was estimated in 2014 to be 7 years. In the current period management have revised their estimate to 4 years due to the fact lease agreement was not going to be extended. The effect of this revision has increased the depreciation charges for the current and future periods by R 314,679 and R2 240 389.19 respectively

Harry Gwala District Municipality and its Controlled Entity

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40. Risk management

Financial risk management

Liquidity risk

The economic entity's risk to liquidity is a result of the funds available to cover future commitments. The economic entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Group - 2017	Group - 2016	Municipality - 2017	Municipality - 2016
Cash and cash equivalents	43,023,019	19,489,701	24,272,551	5,818,976
Trade and other receivables	33,846,927	28,815,971	33,253,075	28,215,011

Market risk

Interest rate risk

As the economic entity has no significant interest-bearing assets, the economic entity's income and operating cash flows are substantially independent of changes in market interest rates.

41. Unauthorised expenditure

Opening balance	266,147,013	192,940,848	266,147,013	192,940,848
Add current year expenditure	90,583,405	73,358,236	90,583,405	73,358,236
Approved by council or condoned	(266,147,013)	-	(266,147,013)	-
	90,583,405	266,299,084	90,583,405	266,299,084

42. Fruitless and wasteful expenditure

Opening balance	704,903	87,365	514,239	87,365
Add current year expenditure	2,934,230	617,538	2,934,230	426,874
Less: Amounts condoned/ written off by council	(87,365)	-	(87,365)	-
	3,551,768	704,903	3,361,104	514,239

43. Irregular expenditure

Opening balance	266,689,195	159,313,635	240,674,407	143,360,811
Add: Irregular Expenditure - current year	97,149,419	107,375,560	97,149,419	97,313,596
Less: Amounts condoned	(143,360,811)	-	(143,360,811)	-
	220,477,803	266,689,195	194,463,015	240,674,407

Harry Gwala District Municipality and its Controlled Entity

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44. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	-	904,340	-	904,340
Current year subscription / fee	32,000	1,291,556	32,000	1,291,556
Amount paid - current year	(32,000)	(2,195,896)	(32,000)	(2,195,896)
	-	-	-	-

Material losses Incurred

Water losses	25,526,124	22,403,116	25,526,124	22,403,116
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The water losses of 49.63% (2016 : 50.47%) is calculated on the total consumption of 9525267.88kl (2016 : 8 966620kl) purchased at an average price of R5.40 (2016 : R4.95) per kl. Total water stock losses amounts to 4 727059.98kl (2016 : 4 525822kl)..

Water losses were made up of technical losses of Rmillion (2015-16: R18.59 million) and non-technical losses of Rmillion (2015-16: R3.77 million).

Audit fees

Current year subscription / fee	2,665,365	2,712,128	2,254,853	2,076,759
Amount paid - current year	(2,665,365)	(2,712,128)	(2,254,853)	(2,076,759)
	-	-	-	-

PAYE and UIF

Opening balance	1,647,481	-	1,647,481	-
Current year subscription / fee	24,894,396	20,530,867	23,045,711	18,981,337
Amount paid - current year	(23,000,449)	(18,883,386)	(21,151,764)	(17,333,856)
Amount paid - previous years	(1,647,481)	-	(1,647,481)	-
	1,893,947	1,647,481	1,893,947	1,647,481

Pension and Medical Aid Deductions

Opening balance	1,725,244	-	1,725,244	-
Current year subscription / fee	16,827,707	15,271,303	16,720,779	15,271,303
Amount paid - current year	(16,827,707)	(13,546,079)	(16,720,779)	(13,546,079)
Amount paid - previous years	(1,725,244)	-	(1,725,244)	-
	-	1,725,224	-	1,725,224

VAT

VAT receivable	17,984,854	20,685,364	16,948,938	18,504,086
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VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Harry Gwala District Municipality and its Controlled Entity

Consolidated Annual Financial Statements for the year ended June 30, 2017

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Figures in Rand

44. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2017:

June 30, 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Jojozi	577	2,019	2,596
June 30, 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
CM Ngcobo	184	895	1,079

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the District Municipal Council.

Section 36 deviations transferred to Irregular Expenditure.

Incident

Wise Security	5,294,323	-	5,294,323	-
Judy Magwaza Trading Enterprise	1,000,000	1,000,000	1,000,000	1,000,000
ION Consulting	1,221,225	941,726	1,221,225	941,726
Total HGDA supply chain management deviations	335,867	153,181	-	-
	7,851,415	2,094,907	7,515,548	1,941,726

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	Group		Municipality	
Figures in Rand	2017	2016	2017	2016

45. Comparative figures

Certain comparative figures have been reclassified.

The amount for indigent register compilation was incorrectly classified as operating grant expenditure instead of contracted services.]

The effects of the reclassification are as follows:

Group

Statement of financial position - extract

Statement of financial performance - extract

	Comparative figures previously reported	Reclassificati on	After reclassificatio n
Contracted services	83,410,899	2,488,812	85,899,711
Operating Grant Expenditure	30,325,545	(2,488,812)	27,836,733
Total	113,736,444	-	113,736,444

Municipality

Statement of financial position - extract

Statement of financial performance - extract

	Comparative figures previously reported	Reclassificati on	After reclassificatio n
Contracted services	83,410,899	2,488,812	85,899,711
Operating Grant Expenditure	30,325,545	(2,488,812)	27,836,733
Total	113,736,444	-	113,736,444

Harry Gwala District Municipality and its Controlled Entity

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Figures in Rand

46. Prior period errors

Statement of financial position

Payables from exchange transactions

Payables from exchange transactions	- 201,439,709	- 200,500,001
Prior year invoices not recorded	- 8,230,109	- 8,230,109
Invoices duplicated in the prior year. - (- (16,770)	- (16,770)
Restated balance	- 209,653,048	- 208,713,340

-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Accumulated Surplus

Balance previous reported	- 1,503,644,543	- 1,471,019,137
Prior year invoices not recorded for water schemes electricity	- (8,230,109)	- (8,230,109)
Invoices duplicated in the prior year	- 16,770	- 16,770
Restated Accumulated Surplus	- 1,495,431,204	- 1,462,805,798